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## 21st CENTURY ECONOMICS

# A NEW REALITY IN THE GLOBAL ECONOMY

The future is bright and promising for Malaysia, China and the world with OBOR



**R**ECENTLY, in his first interview as United States president with *The Economist* magazine, Donald Trump explained and laid down his economic vision for the US and the global economy. This is perhaps his most comprehensive explanation about what he wants to do for the economy, though the United Kingdom-based magazine still deemed it inadequate and incoherent, and considering it more like a business wishlist rather than an economic plan.

Be that as it may, Trump's grand strategy for the economy, or "Trumponomics", has three crucial objectives: achieve fairer trade deals; reduce taxes and deregulation; and, spur more infrastructure spending. All these, he believes, will create jobs, promote growth, reduce trade deficits and create an investment boom for the US economy. There are, of course, some issues with his proposal, like how he could get Congress to implement his expansive tax cuts and fund massive infrastructure projects.

Trumponomics is also seen as self-contradictory and has been based on a misdiagnosis of the root cause of the US's trade deficit. The magazine argues that the focus on addressing trade

deficit without improving savings would jeopardise the US economy with the possible reduction in foreign capital flowing into the US in the long run.

While these are issues that can be debated further, I think the crucial takeaway from reading the interview is about his exposition, albeit shallow, on the economic philosophy that underpin his grand economic design. In his own words, it is about "self-respect as a nation". He further elaborated: "It has to do with trade deals that have to be fair."

Now, it appears clearer that the US economic policy under his watch will be one that is based on economic nationalism and more of the "America first" mantra, which he had promulgated during his inauguration speech earlier this year. This gives us, at least for now, a very brief vision of what Trumponomics entails, which is expected to tilt more towards protectionist and populist paradigms.

In the Far East, a different vision of the world has been offered. Led by China, it is called the One Belt, One Road (OBOR) initiative. The forum on OBOR was held about a week after Trump's interview.

An initiative that began about three years ago, OBOR is set to transform the 21st century global economy in a significant way. It comprises 65 nations and covers 60 per cent of the world's population, or around 4.5 billion people, and a third of global gross domestic product (GDP).

OBOR is significant in two fundamental ways. First, it is an affirmation that the gravity of the global economy has shifted from

the West to Asia. Second, it is a manifestation of China taking the mantle of leadership on globalisation and free market from the US.

OBOR has captured the "new reality" emerging in the 21st century global economy. And certainly, from this point of view, Malaysia, under Prime Minister Datuk Seri Najib Razak, has read the development well and has positioned Malaysia vis-à-vis this "new reality". It is about having the right vision and foresight to anticipate what might happen and make the right move at the right time. This is reminiscent of a similar move by his late father, Tun Abdul Razak Hussein, who was Malaysia's second prime minister, when he forged diplomatic ties with China in 1974, the first country in Southeast Asia to do so.

During his speech at the OBOR forum, Chinese President Xi Jinping set a refreshing tone of a win-win cooperation in a world where populist, right-wing move-

ments have gained traction following the Brexit referendum and Trump's presidency.

"We need to seek results through greater openness and cooperation, avoid fragmentation, refrain from setting inhibitive thresholds for cooperation or pursuing exclusive arrangements, and reject protectionism", he said. At the forum, Xi also unleashed an extra fund of US\$124 billion (RM536.61 billion) to connect Asia, Europe, the Middle East and Africa through infrastructure development to bolster trade and investment under the OBOR agenda.

Malaysia is indeed one of the + first beneficiaries of OBOR

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through the East Coast Rail Line project, which is funded by China's Exim Bank. This is part of the many fruitful results of Najib's visit to China in November when RM144 billion worth of investments were signed.

In March, the first Digital Free Trade Zone in Malaysia was established, the first in the world outside China, with billionaire Jack Ma as digital economic adviser to the government.

During the Belt and Road Forum, the bilateral relationship between Malaysia and China was further enhanced, especially with the nine memoranda of understanding signed in the construction, agriculture and finance sectors worth US\$7.22 billion.

All these will boost prosperity for Malaysia, China and the world. In other words, the future is bright and promising under OBOR. The accusation that Malaysia will sell its sovereignty to China is baseless and unfounded. On the contrary, this is about Malaysia not falling into a trap of protectionism and isolationism. It is about Malaysia's commitment to open trade and economic liberalisation, and the confidence to compete with the rest of the world as we march towards a high income and developed nation status in a little more than three years.

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